Government of
Saskatchewan

2006-2007
Annual Report

Saskatchewan
Grain Car
Corporation

Quick Facts
Saskatchewan Grain Car Corporation

as of July 31, 2007

Corporation Established	Oct. 2, 1979
Office	Regina

Fleet

Cars in service	922
Cars allocated to CN (SKNX 397000-397476)	429
Cars allocated to CPR (SKPX 625000-625522)	493
Cars destroyed to date	78
Car volume	128.8 m3 (4550 ft3)
LD LMT (Load Limit)	101,605 kg (224,000 lbs)
LT WT (Light Weight – empty)	28,123 kg (62,000 lbs)
Gross Weight	129,728 kg (286,000 lbs)
Material	Steel
Lining	Epoxy
Dates built	February, 1981 to October, 1981

Governing Legislation & Lease Agreements

The Saskatchewan Grain Car Corporation Act
Operating Agreement with CN, CPR, and CWB
Alternate Use Agreement with CN and CPR

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Letter of Transmittal

October 1, 2007

His Honour the Honourable Dr. Gordon L. Barnhart,
Lieutenant-Governor of Saskatchewan

I have the honour to submit herewith the Annual Report of the Saskatchewan Grain Car Corporation for the fiscal year ending July 31, 2007 in accordance with *The Saskatchewan Grain Car Corporation Act.* The Financial Statements are in the form approved by Treasury Board and have been duly certified by auditors for the Corporation.

Respectfully submitted,

Buckley Belanger
Minister Responsible for the
Saskatchewan Grain Car Corporation

President's Message

September 30, 2007

The Honourable Buckley Belanger
Chairman of the Board

Dear Sir:

As Acting President of the Saskatchewan Grain Car Corporation (SGCC), I am pleased to present the Annual Report for the fiscal year ending July 31, 2007.

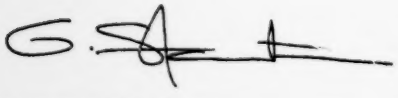
The 2006/2007 fiscal year has been eventful, with a number of major initiatives of the Corporation being undertaken.

The SGCC met its primary mandate by supplying hopper cars for the movement of western grain. The SGCC realized alternate use revenues for the year of $1.63 Million. This is an increase of 53% over the previous years revenue of $1.064 Million, and is the second highest yearly alternate use revenue in the history of the Corporation.

The SGCC is continuing its multi-year maintenance program aimed at ensuring that its hopper cars last their full 50 year life span. Last year the SGCC upgraded the weight carrying capacity to 286,000 pounds, undertook fatigue cracking repairs, and carried out a complete maintenance overhaul on its hopper car fleet.

In the 2006/07 fiscal year, the SGCC began the process of repainting its hopper cars to address corrosion issues. 110 SGCC hopper cars were repainted at a cost of approximately $1 million.

The Corporation's staff and I look forward to fiscal year 2007/08.



George Stamatinos
Acting President

Corporate Profile

Profile

In 1981, the Government of Saskatchewan made a strategic investment of approximately $55,000,000 in Canada's grain transportation system by purchasing 1,000 covered hopper cars for the movement of export grain grown by western producers. This investment led to the development of the Saskatchewan Grain Car Corporation (SGCC) a Treasury Board Crown Corporation established under the authority of the *Saskatchewan Grain Car Corporation Act.*

The Saskatchewan Grain Car Corporation hopper car fleet is made available to the grain industry to assist them in getting their crops to market. This is done in two ways: For grain movements originating in the Prairie Provinces and destined to the port terminals in Thunder Bay, Churchill, Vancouver, and Prince Rupert, the SGCC makes its equipment available at no charge to farmers. For grain movements originating in the Prairie Provinces and destined to inland destinations throughout Canada, the United States, and Mexico a commercial lease fees is charged for the use of the SGCC's hopper cars.

Mission

The Saskatchewan Grain Car Corporation will maximize the economic benefits to Saskatchewan agriculture as a first priority, other Saskatchewan industries as a second priority, and the province in general, through the effective and efficient use of its resources.

Corporate Report

The Saskatchewan Grain Car Corporation's (SGCC) mission is to use its resources to maximize the economic benefit to Saskatchewan agriculture as a first priority and for other industries and the province in general as a second priority. In order for the Corporation to remain focused on these priorities, management must be centered on the core hopper car fleet management business while keeping up to date and involved in new innovations and developments in the industry.

The 2006/07 fiscal year has proved to be a very interesting and challenging time for the Corporation. The Corporation's main focus was on managing the 922 steel covered hopper cars.

Management of the Hopper Car Fleet

Hopper Car Repainting

In the 2006/07 fiscal year, the SGCC began the process of repainting its hopper cars to address corrosion issues. In this fiscal year, 110 SGCC hopper cars were repainted at a cost of approximately $1 million. The contract for painting the hopper cars was awarded to GE Railcar Repair Service Company of Regina and the contract for the decals was awarded to Arco Graphics Inc. of Saskatoon.

Utilization of SGCC Fleet

The Corporation's management continues to monitor and work with the railways to ensure that the hopper car fleet is being utilized to its maximum potential under the existing operating agreements.

The SGCC was able to meet its core mandate of ensuring that hopper car capacity is made available to western farmers for the transportation of their grain to export position.

The 2006/07 crop year saw grain volumes moved in SGCC hopper cars, up significantly from the previous crop year. 1,139,189 tonnes of grain was transported in 2006/07 as compared to 915,081 tonnes in the 2005/06 crop year. This equates to a year over year increase of 24.5%.

At the same time, the number of statutory grain trips for which no lease fee is paid increased by 13.4%. In 2005/06, the SGCC had 8,976 statutory trips compared to 10,176 in 2006/07.

Alternate use revenues for grain movements to domestic destinations throughout Canada, the United States and Mexico reached near record levels. In the fiscal year 2006/07, the SGCC had alternate use revenues of $1,629,790. This is an increase of 53% over the previous years revenues of $1,064,115, and is the second highest yearly alternate use revenue in the history of the Corporation.

Summary of Key Activities

Management of the SGCC Fleet

- **Alternate use revenues for grain movements to domestic destinations throughout Canada, the United States and Mexico reached $1,629,790 in the 2006/07 fiscal year. Second highest lease revenue in the SGCC's history.**
- **Painting of 110 SGCC hopper cars for approximately $1 million.**

Operations Overview

The SGCC hopper car fleet consists of 922 hopper cars with a cubic capacity of 4,550 cubic feet and a total load limit of 101,605kg (224,000lbs.)

Canadian National Railway Ltd. (CN) and Canadian Pacific Railway Ltd. (CPR) have an assigned percentage of the Corporation's hopper car fleet. This allocation can be adjusted on a bi-annual basis based on the total tonnes handled by each railway in the most recent five year period. At the start of the 2006/07 fiscal year, CN had 434 and CPR had 494 hopper cars assigned, respectively.

Throughout the year, CN had five cars destroyed due to derailments and CPR had one car destroyed, leaving them with 429 and 493 hopper cars respectively. A detailed summary of the destroyed cars can be found on page 28 of this report.

The railway responsible for a destroyed hopper car is required to compensate the Corporation based on the guidelines defined by the Association of American Railroads (AAR). The compensation received for the destroyed hopper cars is placed into a Reserve Fund to be used for the replacement and refurbishment of the SGCC fleet.

The Corporation's staff continues to use a computerized car tracking system to monitor the day-to-day movements of the fleet, enabling them to identify such things as inactive cars, bad orders and determining the destinations of movements for billing purposes.

This system assists in identifying issues around the timely repair of hopper cars, notification of destroyed cars leased to the railways, and identifying periods where the cars can be utilized for commercial leasing.

The Corporation's hopper car fleet is utilized for both statutory and commercial movements. The majority of the movements are statutory grain movements. They originate in western Canada and are destined for export through port facilities in Thunder Bay, Churchill, Prince Rupert and Vancouver. These movements are defined in the 1981 Operating Agreement between SGCC, the Canadian Wheat Board (CWB), CN and CPR. The SGCC provides its hopper cars free of charge for all statutory grain movements.

The commercial movements are all grain movements destined to the U.S. and Mexico or to non-export points in Canada or non-grain commodities such as potash, to all destinations. Commercial movements are subject to full commercial lease rates.

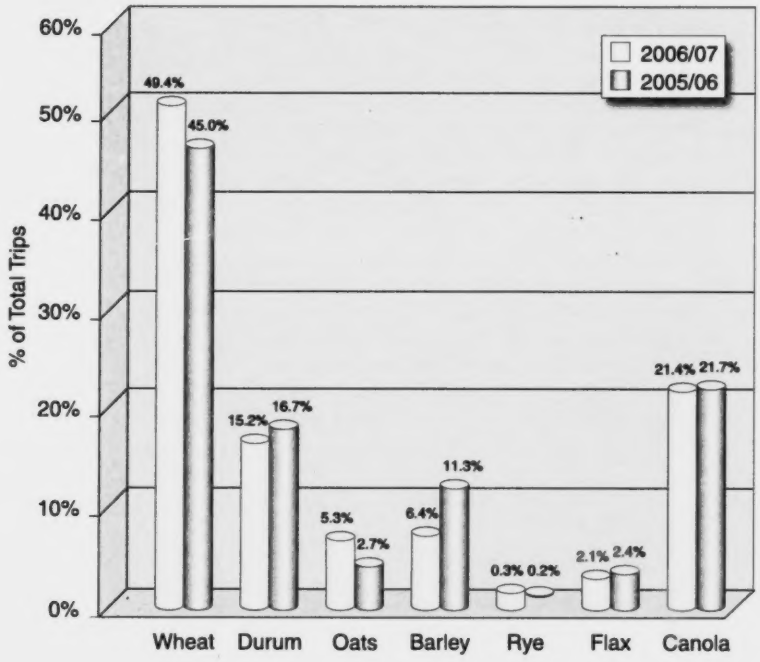
2006/07 Fleet Highlights

- 429 hopper cars on CN Lines
- 493 hopper cars on CPR Lines
- 6 hopper cars destroyed
- 78 hopper cars destroyed to date

Hopper Car Activity

The 2006/07 crop year saw grain volumes moved in SGCC hopper cars up significantly from the previous crop year. 1,139,189 tonnes of grain was transported in 2006/07 as compared to 915,081 tonnes in the in the 2005/06 crop year. This equates to a year over year increase of 24.5%.

Summary of all grain (Statutory and Commercial) movements in SGCC cars 2006/07 - 2005/06)



Summary of all grain (Statutory or Commercial) movements in SGCC cars				
	2006/2007		2005/2006	
Commodity	Total Trips	Tonnes	Total Trips	Tonnes
Wheat	6,445	593,182	4,817	434,771
Durum	1,978	185,611	1,785	162,993
Oats	689	50,993	293	21,782
Barley	837	68,985	1,207	96,371
Rye	34	2,815	19	1,451
Flax	272	20,705	255	19,082
Canola	2,791	216,898	2,327	178,631
TOTAL	**13,046**	**1,139,189**	**10,703**	**915,081**

Increased Weight Carrying Capacity

In 2005/06, the SGCC undertook an upgrade to the weight carrying capacity of its hopper car fleet from 263,000 pounds to 286,000 pounds. In comparing the average tonnage hauled per car in the year prior to the upgrade to the year after, it appears that industry is beginning to utilize the additional weight carrying capacity of the SGCC hopper cars.

Wheat and durum, which account for approximately 65% of the commodities shipped in SGCC hopper cars, have seen an average efficiency increase of 3.23% and 4.91% respectively.

The use of the full 100 tonne carrying capacity of the SGCC hopper car is limited to facilities located on rail lines rated for 286,000 pound hopper cars. The 4,550 cubic foot capacity of the SGCC hopper cars, limits the amount of low density commodities such as oats, barley and rye that can be transported.

Average Tonnes Per Car by Commodity

Commodity	2006/07	Increase tonnes	% Increase	2004/05
Wheat	92.04	2.88	3.23	89.16
Durum	93.84	4.39	4.91	89.45
Oats	74.01	0.56	0.76	73.45
Barley	82.42	1.44	1.78	80.98
Rye	82.79	2.98	3.73	79.81
Flax	76.12	3.92	5.43	72.2
Canola	77.71	1.73	2.28	75.98

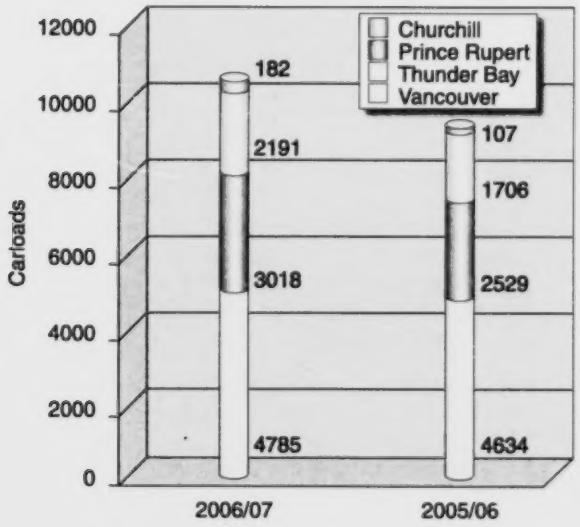
Statutory Grain Service

Statutory movements are allowed under the original 1981 Operating Agreement between the SGCC, CN, CPR and CWB in which the rail companies are allowed to use the Corporation's cars free of charge to move the six major grains from the Prairie Provinces to port locations at Thunder Bay, Churchill, Vancouver, and Prince Rupert for export. The six major grains covered under the original 1981 agreement included: Wheat/Durum, Oats, Barley, Rye, Flax, and Canola. As the agricultural sector has diversified and evolved this list was expanded and now includes approximately 60-grain crops or products as listed under Schedule II of the Canada Transportation Act. Movements of these Schedule II commodities, to western Canadian ports for export, are considered statutory movements and the railways are allowed to use SGCC hopper cars at no charge.

CWB statistics reported total statutory movements of 889,143 tonnes in 2006/07 as compared to 768,225 tonnes in the previous crop year. This is a 15.7% increase in statutory movements of the six major grains. Statutory grain service accounted for 78.1% of all grains and oilseeds tonnage moved in 2006/07. This is down 83.9% from the previous year.

Summary of all Statutory grain movements in SGCC cars				
	2006/2007		2005/2006	
Commodity	Total Trips	Tonnes	Total Trips	Tonnes
Wheat	5,091	469,784	3,997	363,069
Durum	1,424	132,791	1,413	128,663
Oats	177	12,593	70	5,057
Barley	577	47,806	1,022	81,797
Rye	19	1,690	3	251
Flax	246	18,755	235	17,582
Canola	2,642	205,724	2,236	171,806
TOTAL	10,176	889,143	8,976	768,225

Statutory Grain Services – Destinations
2006/07 - 2005/06



Alternate Use/Commercial Service

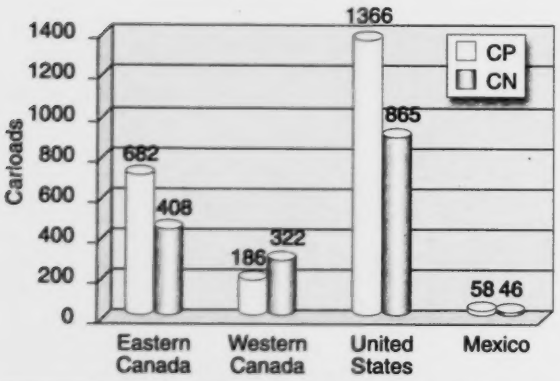
Alternate use movements are those hopper car movements outside the parameters of the 1981 Operating Agreement. The Corporation has formal alternate use agreements signed with CN and CPR allowing the railways to transport commodities when the SGCC hopper cars are not required in statutory grain service, on a fee for service basis. The majority of the movements are for the carriage of the six major grains to domestic destinations throughout Canada, the United States and Mexico.

Alternate use revenues for grain movements to domestic destinations throughout Canada, the United States, and Mexico reached $1,629,790 for the 2006/07 fiscal year. This is an increase of 53% over the previous years revenues of $1,064,115, and represents the second highest leasing revenue in the SGCC's 26 year history.

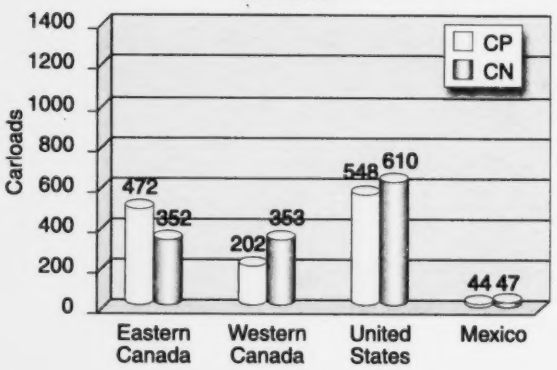
In 2006/07, the SGCC hopper cars were used in 3,933 commercial car movements. This is an increase of 49.7% from 2005/06. Of these trips, 2,870 were Canadian Wheat Board grain movements.

The alternate use trips are split between the two major railways, CN and CPR with 41.7% and 58.3% respectively.

Commercial Service – Destinations 2006/07



Commercial Service – Destinations 2005/06



Commercial CWB Grain Movements in SGCC Cars by Commodity Hauled

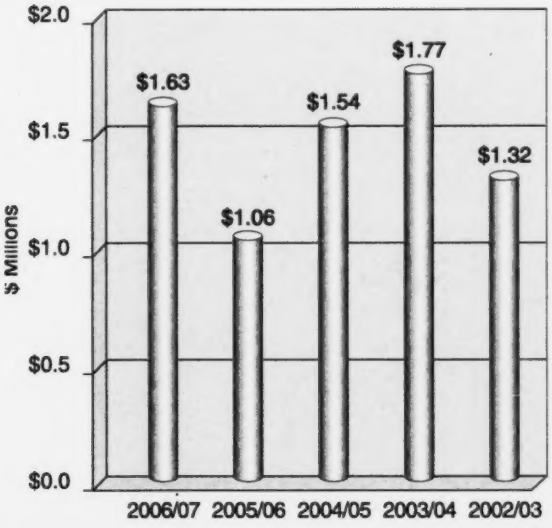
	2006/2007		2005/2006	
Commodity	**Total Trips**	**Tonnes**	**Total Trips**	**Tonnes**
Wheat	1,355	123,398	820	71,702
Durum	554	52,819	372	34,330
Oats	512	38,400	223	16,725
Barley	259	21,182	185	14,574
Rye	15	1,125	16	1,200
Flax	26	1,950	20	1,500
Canola	149	11,175	91	6,825
TOTAL	**2,870**	**250,049**	**1,727**	**146,856**

Financial Highlights

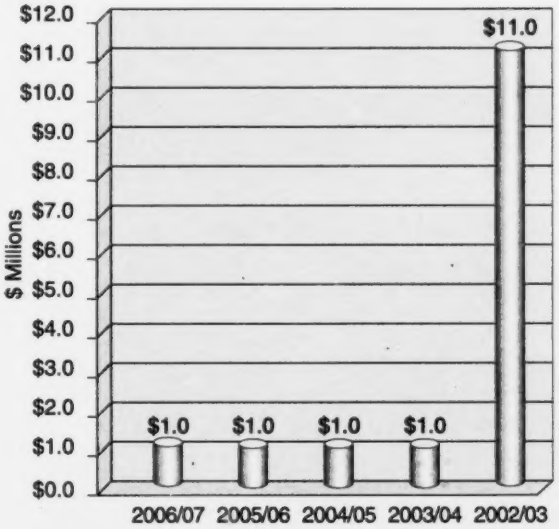
For the year ended July 31, 2007

	Budget	Actual
Total Revenue	**$ 2,663,000**	**$ 2,663,516**
Car Leasing	1,400,000	1,629,790
Interest	20,000	28,109
Consulting Services	Nil	6,268
Deferred Fleet Revenue	1,243,000	999,325
Other	Nil	24
Total Expenditure	**$ 1,968,200**	**$ 2,996,587**
Excess of Revenue over Expenditure	**$ 694,800**	**$ (333,071)**
Net Assets, End of Year		**$ 19,240,589**
Physical Assets Hopper Cars		$ 17,928,659
Net Financial Assets		$ 1,311,930

Commercial Service Revenues



Dividends paid to General Revenue Fund



Management's Report

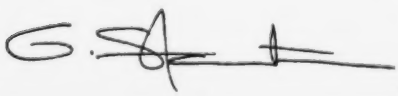
The accompanying financial statements have been prepared by management of the Saskatchewan Grain Car Corporation. These financial statements have been prepared in conformity with generally accepted accounting principles in Canada, consistently applied using management's best estimates and judgment where appropriate. Management is responsible for the reliability and integrity of the Financial Statements and other information contained in the Annual Report.

The integrity of financial records from which these financial statements are prepared is largely dependent on the systems of internal accounting controls. The purpose of such systems is to provide reasonable assurance that transactions are executed in accordance with proper authorization, transactions are appropriately recorded in order to permit preparation of accurate financial statements and assets are properly accounted for and safeguarded against loss from unauthorized use. Underlying this concept of reasonable assurance is the fact that limitations exist in any system of internal accounting controls based on the premise that the cost of such controls should not exceed the benefits derived.

Management believes that the financial statements in this Annual Report present fairly the financial position of the Corporation for the year ending July 31, 2007.

The Board of Directors has fulfilled its responsibility with respect to the financial position of the Corporation by reviewing and approving the financial statements for the year ending July 31, 2007.

The financial statements have been audited by the Corporation's external auditors, Skilnick Besler Miller Moar & Co., Chartered Accountants, and approved by the Provincial Auditor and the Provincial Comptroller's Division of Saskatchewan Finance.



George Stamatinos

Regina, Saskatchewan
September 30, 2007

Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the statement of financial position of the Saskatchewan Grain Car Corporation as at July 31, 2007, and the statements of operations and net assets, change in net financial assets and cash flows for the year then ended. The Corporation's management is responsible for preparing these financial statements for Treasury Board's approval. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at July 31, 2007 and the results of its operations and net assets, change in net financial assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Skilnick Besler Miller Moar & Co.

SKILNICK BESLER MILLER MOAR & CO.
Chartered Accountants

Melville, Saskatchewan
September 13, 2007

Statement of Financial Position

as at July 31, 2007

Statement 1

	2007	2006
Financial Assets		
Cash and temporary investments (Note 2)	$ 4,619	$ 5,645
Due from General Revenue Fund (Notes 4 & 7)	878,372	1,612,921
Accounts receivable (Note 7)	439,218	276,155
Other investments (Notes 2 & 6)	407,349	407,349
Total Financial Assets	$ 1,729,558	$ 2,302,070
Liabilities		
Accounts payable and accrued liabilities (Note 7)	$ 176,370	$ 32,291
Goods and services tax payable	7,639	5,968
Deferred fleet revenue (Notes 2, 3, & 7)	233,619	1,014,233
Total Liabilities	$ 417,628	$ 1,052,492
Net Financial Assets – Statement 3	$ 1,311,930	$ 1,249,578
Non-Financial Assets		
Tangible capital assets (Notes 2 & 5)	17,928,659	19,324,082
Total Non-Financial Assets	$ 17,928,659	$ 19,324,082
Net Assets – Statement 2	$ 19,240,589	$ 20,573,660

(See accompanying notes to financial statements)

Approved on behalf of the Board:

Buckley Belanger
Chairperson of the Board

Statement of Operations and Net Assets

For the Year Ended July 31, 2007.

Statement 2

	BUDGET	2007	2006
Revenues			
Car leasing – Alternate Use (Note 3)	$ 1,400,000	$ 1,629,790	$ 1,064,115
Interest (Notes 4 & 8)	20,000	28,109	28,836
Consulting services	Nil	6,268	47,856
Deferred Fleet revenue (Note 7)	1,243,000	999,325	1,743,975
Other	Nil	24	1,401
Total Revenues	$ 2,663,000	$ 2,663,516	$ 2,886,183
Expenses			
Administration (Schedule 1)	200,500	185,598	142,369
Amortization (Notes 2 & 5)	Nil	1,277,359	1,486,213
Destroyed grain cars – fleet assets	Nil	118,702	129,368
Farmer Rail Car Coalition Funding (Note 10)	50,000	56,268	176,256
Fleet repair and maintenance	1,235,700	1,028,687	990,796
Salaries and benefits (Notes 8 & 9)	457,000	315,472	258,716
Travel and sustenance	25,000	14,501	14,314
Total Expenses	$ 1,968,200	$ 2,996,587	$ 3,198,032
Surplus (Deficit) for the Year	$ 694,800	$ (333,071)	$ (311,849)
Net Assets, beginning of year		20,573,660	21,885,509
Dividends paid to the General Revenue Fund		(1,000,000)	(1,000,000)
Net Assets, End of Year		$ 19,240,589	$ 20,573,660

(See accompanying notes to financial statements)

Statement of Change in Net Financial Assets

For the Year Ended July 31, 2007.

Statement 3

	2007	2006
Deficit for the year	$ (333,071)	$ (311,849)
Tangible capital assets		
Acquisitions	(638)	(783,179)
Amortization	1,277,359	1,486,213
Destroyed grain cars – fleet assets	118,702	129,368
Net acquisitions of tangible capital assets	$ 1,395,423	$ 832,402
Other non-financial assets		
Net use of prepaid expenses	Nil	$ 256,437
Increase in net financial assets	1,062,352	776,990
Net financial assets, beginning of year	1,249,578	1,472,588
Dividend paid to General Revenue Fund	(1,000,000)	(1,000,000)
Net Financial Assets, End of Year	$ 1,311,930	$ 1,249,578

(See accompanying notes to financial statements)

Statement of Cash Flows

For the Year Ended July 31, 2007.

Statement 4

	2007	2006
Operating Activities		
Deficit for the year	$ (333,071)	$ (311,849)
Non-cash items included in deficit for the year:		
– Amortization	1,277,359	1,486,213
– Destroyed grain cars – fleet assets	118,702	129,368
Change in non-cash operating activities:		
– (Increase) decrease in accounts receivable	(163,063)	62,923
– Decrease in prepaid expenses	Nil	256,437
– Increase (decrease) in accounts payable and accrued liabilities	144,079	(124,278)
– Increase (decrease) in goods and services tax payable	1,671	(1,037)
– Decrease in deferred fleet revenue	(780,614)	(1,524,712)
Cash (used in) provided by operating activities	$ 265,063	$ (26,935)
Capital Activities		
Acquisitions of tangible capital assets	$ (638)	$ (783,179)
Financing Activities		
Dividends paid to General Revenue Fund	$ (1,000,000)	$ (1,000,000)
Decrease in Cash and Cash Equivalents	$ (735,575)	$ (1,810,114)
Cash and Cash Equivalents, Beginning of Year	1,618,566	3,428,680
Cash and Cash Equivalents, End of Year	$ 882,991	$ 1,618,566

Summary of Cash and Cash Equivalents

Cash and temporary investments	$ 4,619	$ 5,645
Due from General Revenue Fund	878,372	1,612,921
	$ 882,991	$ 1,618,566

(See accompanying notes to financial statements)

Notes to Financial Statements

July 31, 2007.

1. Status of the Corporation

The Saskatchewan Grain Car Corporation is a Provincial Crown Corporation established on October 2, 1979 by Order-in-Council 1787/79. The Corporation continues under the authority and provisions of *The Saskatchewan Grain Car Corporation Act.*

The Corporation's mission is to maximize the economic benefits to Saskatchewan agriculture as a first priority, other Saskatchewan industries as a second priority, and the Province in general, through the effective and efficient use of its resources.

2. Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared by management in accordance with generally accepted accounting principles as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies are as follows:

a) Revenues

Revenues from car operating leases are recognized as the service are provided to the lessee and collection are reasonably assured.

Fleet revenue for destroyed grain cars, including interest earned on externally restricted funds, are recognized in the year when disbursements are made to purchase, upgrade, repair and maintain the grain car fleet.

b) Tangible Capital Assets

Tangible capital assets are recorded at cost and include all amounts directly attributable to the purchase or the betterment of the grain car fleet. Normal maintenance and repairs are expensed as incurred. Capital assets are amortized on a straight-line basis over their estimated useful lives of 40 years.

c) Investments

The investment in shares of West Central Road & Rail Ltd. are recorded at cost, and dividends from these shares are recorded as revenue when receivable.

d) Foreign Currency

The Corporation translates its foreign currency transactions into Canadian dollars by applying the exchange rate in effect on the transaction date. Monetary assets and liabilities are adjusted to reflect the exchange rate in effect at the reporting date. Exchange gains and losses are recognized in the Statement of Operations in the current period.

e) Measurement Uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

3. Operating Agreements

The Corporation entered into Operating Agreements from August 1, 2006 to July 31, 2007 with Canadian National Railway Company and Canadian Pacific Railway Limited which allows the railways to lease the Corporation's cars free of charge for the Movement of Grain. Movement of Grain refers to the movement to port of grain products as listed under the Canada Transportation Act.

The railway may lease the Corporation's cars for commercial service at $17 per day, provided the cars are surplus to the requirements for Movement of Grain. Commercial service includes the carriage of grain at non-regulated freight rates as well as the carriage of other bulk commodities, such as potash.

The railways are responsible for maintaining and repairing the Corporation's cars at their own expense in accordance with Transport Canada, Federal Railway Administration and Association of American Railroads (AAR) Rules.

In the event that one of the Corporation's cars is damaged beyond economic repair, the railways are required to compensate the Corporation for the value of the car in accordance with Rule 107 of the Interchange Rules Manual of the AAR. All amounts received from the railways as compensation for destroyed grain cars are recorded as deferred fleet revenue.

4. Due from General Revenue Fund

Most of the Corporation's bank accounts are included in the Consolidated Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan. The Corporation's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis into the Corporation's bank account using the Government's thirty day borrowing rate and the Corporation's average daily bank balance. The Government's average thirty day borrowing rate for 2006/2007 was 4.21% (2005/2006 3.20%).

5. Tangible Capital Assets

The Corporation purchased 1,000 covered hopper cars in 1981 at a cost of $54,214,423. As of July 31, 2007, 78 cars have been destroyed; the remaining 922 cars are in service.

The Corporation entered into Agreements with Rescar Industries Inc., Frontline Railcar Repair Limited, Carlton Trail Railway and GATX Rail Canada Corporation to upgrade, reflectorize and repair the hopper cars. The costs of upgrading and reflectorizing the cars for 2007 was $638,000 (2006 - $783,179) and has been added to the cost of the rolling stock.

		2007		
	Cost	**Accumulated Amortization**	**Net Book Value**	**2006 Net Book Value**
Rolling stock	$50,932,897	$33,004,238	$17,928,659	$19,324,082

6. Investment in Shares of West Central Road & Rail Ltd.

The Corporation owns 4,000 Class "E" shares of the capital stock of West Central Road & Rail Ltd. This equity investment represents the Corporation's commitment to support the Research and Development aspects of Phase II (the demonstration phase) of the Grain Logistics Pilot Project. Phase II of the Pilot Project is intended to provide complete logistical services from farm-gate to port in the case of export movements, and farm-gate to commercial processing facility in the case of movements to domestic destinations throughout North America.

The Class "E" shares are transferable, non-voting except for the entitlement to elect 2 of 13 directors and participate equally in dividends and the distribution of assets on liquidation or wind-up. After June 28, 2006, the issuer may repurchase or the Corporation may retract a minimum of 1,000 shares at their fair market value as established by an independent appraiser.

7. Deferred Fleet Revenue and Restricted Funds

In accordance with the operating agreements described in Note 3, compensation for destroyed grain cars received from Canadian National Railway Company and Canadian Pacific Railway Limited is recorded as deferred fleet revenue as the agreements specify that the funds must be used for future purchase, upgrade, repair and maintenance of the grain car fleet.

The amounts for deferred fleet revenue and restricted funds are as follows:

	2007	2006
Deferred Fleet Revenue, Beginning of Year	$ 1,014,233	$ 2,538,945
Add restricted funds received:		
Compensation for destroyed grain cars (Note 3)	179,198	168,423
Interest allocated (Notes 2, 4 & 8)	39,513	50,840
	218,711	219,263
Deduct fleet revenue recognized:		
Acquisitions – fleet upgrades (Note 5)	(638)	(783,179)
Fleet repair and maintenance	(998,687)	(960,796)
	(999,325)	(1,743,975)
Deferred Fleet Revenue, End of Year	$ 233,619	$ 1,014,233

Restricted Funds	2007	2006
Due from General Revenue Fund	$ 281,936	$ 1,035,550
Accounts receivable	59,385	3,856
Accounts payable and accrued liabilities	(107,702)	(25,173)
	$ 233,619	$ 1,014,233

8. Related Party Transactions

These financial statements include transactions with related parties. The Corporation is related to all Saskatchewan Crown Agencies such as departments, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Corporation is related to non-crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at the rate charged by those organizations and are settled on normal trade terms.

These transactions are as follows:

	2007	2006
Deferred Fleet Revenue		
Government of Saskatchewan (General Revenue Fund)		
Interest	$ 39,513	$ 50,840
Revenues		
Government of Saskatchewan (General Revenue Fund)		
Interest	$ 28,109	$ 28,836
Expenses		
Department of Highways and Transportation		
Salaries and Benefits	$ 8,076	$ Nil
Information Technology Office		
Computer maintenance	$ 23,046	$ 12,817
Hardware	$ 1,586	$ Nil
Software	$ 1,121	$ Nil
Saskatchewan Property Management		
Rent – office space	$ 104,472	$ 62,753
Printing and Copying	$ 436	$ 544
Office supplies	$ 1,450	$ 144
Consulting Services	$ 363	$ Nil
Saskatchewan Telecommunications		
Telecommunications	$ 6,828	$ 7,973
Workers' Compensation Board (Saskatchewan)		
Salaries and Benefits	$ 2,521	$ 2,175
Saskatchewan Archives Board		
Conferences and Professional Development	$ 175	$ Nil

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

9. Pension Plan

The Corporation participates in a defined contribution pension plan for the benefit of its employees. The Corporation's financial obligation to the Capital Pension Plan (related party) is limited to making regular payments to match the amounts contributed by employees for current service. The Corporation's annual pension expense for 2007 amounted to $13,432 (2006 - $13,925).

The Corporation also participates in the Public Service Superannuation Plan (PSSP) (related party) administered by the Public Employees Benefits Agency. The Corporation's financial obligation to the PSSP is limited to making regular payments which are 2.67 times the amounts contributed by the employees for current service. The Corporation's annual pension expense for 2007 amounted to $Nil (2006 – $5,053).

10. Farmer Rail Car Coalition Agreements

The Corporation signed agreements on October 16, 2002, June 16, 2004, May 5, 2005, June 13, 2005, and September 28, 2006 with the Farmer Rail Car Coalition (FRCC) to contribute $861,385 in cash and/or in kind contributions (technical expertise) to support the research and development by the FRCC of a proposal by the FRCC to purchase on behalf of Western Canadian Farmers the Federal Fleet of approximately 13,000 rail hopper cars. Total contributions to date are $861,385 consisting of $571,153 in cash and $290,232 in kind.

In May of 2006 the Government of Canada announced they would retain ownership of the Federal Hopper Car Fleet.

On September 28, 2006 the Corporation entered into an agreement to assist with expenses related to the administrative and office closure costs up to and including September 30, 2006.

Schedule of Administration Expenses

For the Year Ended July 31, 2007.

Schedule 1

	2007 Budget	2007	2006
Advertising and promotion	$ 1,000	$ 7,813	$ Nil
Bank charges	500	215	562
Computer hardware (Note 8)	5000	1,586	Nil
Computer maintenance (Note 8)	18,000	23,046	12,817
Computer software (Note 8)	5,000	1,940	2,765
Conferences and professional development (Note 8)	5,000	1,552	2,704
Consulting services (Note 8)	50,000	3,698	23,285
Miscellaneous	3,000	1,590	326
Office equipment and supplies (Note 8)	3,000	3,605	2,035
Printing, copying, postage and courier (Note 8)	7,500	6,979	4,418
Professional services	11,500	16,429	11,030
Rent – office space (Notes 8 & 10)	63,000	105,787	63,963
Subscriptions and memberships	13,000	4,530	8,832
Telecommunications (Note 8)	15,000	6,828	9,632
Total – to Statement 2	$ 200,500	$ 185,598	$ 142,369

Expenditure Disclosure

For the year ending July 31, 2007

Employee receiving payments totaling $50,000 or more for salaries or wages:

	2007	2006
Kelly Moskowy	92,563	86,403
Tim Shoulak	79,981	74,637
Total	$ 172,544	$ 161,040

Suppliers/consultants receiving payments totaling $50,000 or more for goods and/or services:

	2007	2006
Farmer Rail Car Coalition	$ 56,276	$ 176,256
Saskatchewan Property Management	106,720	63,441
A. Stucki Company	Nil	67,369
Apollo Machine & Products Ltd.	Nil	59,092
Carlton Trail Railway	Nil	393,174
Rescar Industries	Nil	68,830
GATX Rail Canada	Nil	71,587
Frontline Railcar Repair Ltd.	1,851	746,339
GE Railcar Repair Services Company	846,230	Nil
Arco Graphics Inc.	149,048	Nil
Total	$ 1,153,849	$ 1,646,088

Statistical Summary

Year	Cars In Service			Cars Destroyed			Car Leasing Revenues	
as of July 31, 2005	CN	CP	Total	CN	CP	Total		
1979/80	–	–	–	–	–	–	–	
1980/81	477	273	750	–	–	–	–	
1981/82	477	523	1,000	–	–	–	$ 56,294	
1982/83	477	523	1,000	–	–	–	$ 11,850	
1983/84	475	523	998	2	–	2	–	
1984/85	475	523	998	–	–	–	–	
1985/86	475	523	998	–	–	–	–	
1986/87	474	523	997	1	–	1	–	
1987/88	474	523	997	–	–	–	–	
1988/89	474	523	997	–	–	–	$ 1,099,441	
1989/90	474	523	997	–	–	–	$ 92,310	
1990/91	474	523	997	1	–	1	$ 146,343	
1991/92	473	522	995	–	1	1	$ 268,342	
1992/93	473	522	995	–	–	–	$ 326,047	
1993/94	472	522	994	1	–	1	$ 816,083	
1994/95	472	518	990	–	4	4	$ 628,807	
1995/96	470	514	984	2	4	6	$ 946,233	
1996/97	468	514	982	2	–	2	$ 991,526	
1997/98	468	509	977	–	5	5	$ 1,089,116	*(See note 1, page 29)*
1998/99	468	509	977	–	–	–	$ 1,305,593	
1999/00	464	508	972	4	1	5	$ 1,189,104	*(See note 2, page 29)*
2000/01	458	498	956	6	10	16	$ 1,304,835	
2001/02	455	498	953	3	–	3	$ 1,033,158	
2002/03	454	497	951	1	1	2	$ 1,315,865	
2003/04	442	497	939	12	–	12	$ 1,766,041	
2004/05	440	494	934	2	3	5	$ 1,543,736	
2005/06	434	494	928	6	–	6	$ 1,064,115	
2006/07	429	493	922	5	1	6	$ 1,629,790	
Total	**429**	**493**	**922**	**48**	**30**	**78**	**$ 18,624,629**	

Notes to Statistical Summary

1. Revenue adjustments for 1997/98 fiscal year

Car leasing revenue recognized as per 1997/98 Financial Statement	$ 1,507,271
– Bad debt allowance as shown in 1997/98 Financial Statement	($ 160,000)
– Bad debt allowance as shown in 1998/99 Financial Statement	($ 53,543)
– Settlement recovery with CP for western Canada commercial moves from 1991 to 1997 realized in 1998/99	($ 204,612)
Car leasing revenue actually realized in 1997/98	$ 1,089,116

2. Revenue adjustments for 1999/00 fiscal year

Car leasing revenue recognized as per 1999/00 Financial Statement	$ 1,639,104
– Settlement recovery with CN for western Canada commercial moves form 1991 to 1997 realized in 1999/00	($ 450,000)
Car leasing revenue actually realized in 1999/00	$ 1,189,104

Corporate Information

Definitions

Bad Orders
A bad order is a car that had been deemed mechanically unfit for service.

Car Cycles
A car cycle is the time for a car to complete a trip from origin, to destination, and back to the next origin.

Commercial Service
Commercial service is defined as the movement of any commodity not destined to port for export, or the movement of commodities to port not covered under Schedule II of the Canada Transportation Act. For these commercial movements the Corporation receives a lease fee.

Domestic and Export Markets
Canada, United States, and Mexico make up the domestic or North American market; the rest of the world is the export or offshore market.

Dunnage
Is the name for the materials used in holds and containers to protect goods and their packaging from moisture, contamination and mechanical damage. Dunnage may include plastic films, jute coverings, tarpaulins, wood (wooden dunnage, i.e.; pallets), rice matting, non-wovens, liner bags or also inlets etc.. Depending on the use to which it is put, dunnage may be divided into floor, lateral, interlayer and top dunnage.

Gross Weight
Total of weight of car, net load, and dunnage.

Light Weight (LT WT)
Weight of empty railroad car expressed in pounds. This figure is stenciled on the car. Also referred to as Tare Weight.

Load Limit (LD LMT)
Absolute maximum allowable weight of load, including both net weight and dunnage, that a freight car is authorized to carry. This figure is stenciled on the car.

Metric tonne
A metric tonne equals 2,204.6 pounds or 1000 kilograms, and is 10 percent larger that a 2000 pound short ton.

Phosphate Rock
Also known as phos. rock, this product is the main source of phosphoric acid for phosphate fertilizers and industrial products. A form of calcium phosphate, it also contains other materials.

Potash
Typically denotes materials containing potassium, particularly potassium fertilizer. Most fertilizer is muriate of potash (KCl), potassium chloride. Potassium combines with other minerals in specialty fertilizers.

Statutory Grain Service
Statutory grain service is the transportation of commodities which are moved to port for export as defined in Schedule II of the Canada Transportation Act. Under the 1981 Operating Agreement between the Saskatchewan Grain Car Corporation, Canadian Wheat Board, CN Rail, and CP Rail, the Corporation allows CN and CP to use Corporation owned cars for the movement of Schedule II commodities to port facilities in western Canada at no cost to the railways.

For additional information:

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